

**FTSE BURSA MALAYSIA KLCI etf**

**Quarterly Report**

**30 September 2018**

## **TRUST DIRECTORY**

### **Manager**

AmFunds Management Berhad  
9<sup>th</sup> & 10<sup>th</sup> Floor, Bangunan AmBank Group  
55 Jalan Raja Chulan  
50200 Kuala Lumpur

### **Board of Directors**

Dato' Mustafa Bin Mohd Nor  
Tai Terk Lin  
Sum Leng Kuang  
Seohan Soo  
Goh Wee Peng

### **Investment Committee**

Sum Leng Kuang  
Tai Terk Lin  
Dato' Mustafa Bin Mohd Nor  
Zainal Abidin Bin Mohd Kassim  
Goh Wee Peng

### **Trustee**

HSBC (Malaysia) Trustee Berhad

### **Auditors and Reporting Accountants**

Ernst & Young

### **Taxation Adviser**

Deloitte Tax Services Sdn Bhd

## **CORPORATE DIRECTORY**

### **AmFunds Management Berhad**

Registered Office

22nd Floor, Bangunan AmBank Group  
55, Jalan Raja Chulan, 50200 Kuala Lumpur  
Tel: 03-2036 2633 Fax: 03-2032 1914

Head Office

9th & 10th Floor, Bangunan AmBank Group  
55, Jalan Raja Chulan, 50200 Kuala Lumpur  
Tel: 03-2036 2888 Fax: 03-2031 5210

### **Secretaries**

Gian Ai Ziah (MAICSA 7045071)  
Koh Suet Peng (MAICSA 7019861)  
22nd Floor, Bangunan AmBank Group  
No. 55 Jalan Raja Chulan  
50200 Kuala Lumpur

### **HSBC (Malaysia) Trustee Berhad**

Business/Registered Office/Head Office

Fund Services, Bangunan HSBC, 13th Floor, South Tower  
No.2, Leboh Ampang, 50100 Kuala Lumpur  
Tel: 03-2075 7800 Fax: 03-2026 1273

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## MANAGER'S REPORT

Dear Unitholders,

We are pleased to present you the Manager's report and the unaudited quarterly accounts of FTSE Bursa Malaysia KLCI etf ("FBM KLCI etf") ("Fund") for the financial period from 1 July 2018 to 30 September 2018.

### Salient Information of the Fund

|                        |   |   |                              |
|------------------------|---|---|------------------------------|
| <b>Name</b>            | FTSE Bursa Malaysia KLCI etf ("Fund")   |   |                              |
| <b>Category/ Type</b>  | ETF/ Equity   |   |                              |
| <b>Objective</b>       | The objective of the Fund is to achieve a price and yield performance, before fees, expenses and tax, that is generally similar to that of the benchmark index, balanced with the need to facilitate liquidity provision. Any material change to the Fund's investment objective will require the holders' approval by way of special resolution. |   |                              |
| <b>Index Component</b> | Details of the index component as at 30 September 2018 are as follows:  |   |                              |
|                        | <b>Stock code</b>   | <b>Company's name</b>                   | <b>Percentage weight (%)</b> |
|                        |   | <b>Shares in issue ('million units)</b> |                              |
|                        | 1295  | Public Bank Berhad                      | 14.00                        |
|                        | 5347  | Tenaga Nasional Berhad                  | 11.11                        |
|                        | 1155  | Malayan Banking Berhad                  | 10.40                        |
|                        | 1023  | CIMB Group Holdings Berhad              | 7.21                         |
|                        | 5183  | PETRONAS Chemicals Group Berhad         | 4.81                         |
|                        | 6888  | Axiata Group Berhad                     | 3.79                         |
|                        | 5285  | Sime Darby Plantation Berhad            | 3.40                         |
|                        | 3182  | Genting Berhad                          | 3.24                         |
|                        | 6947  | DiGi.Com Berhad                         | 3.21                         |
|                        | 6012  | Maxis Berhad                            | 2.91                         |
|                        | 7277  | Dialog Group Berhad                     | 2.90                         |
|                        | 6033  | PETRONAS Gas Berhad                     | 2.67                         |
|                        | 5225  | IHH Healthcare Berhad                   | 2.64                         |
|                        | 1961  | IOI Corporation Berhad                  | 2.62                         |
|                        | 4715  | Genting Malaysia Berhad                 | 2.54                         |
|                        | 5819  | Hong Leong Bank Berhad                  | 2.49                         |
|                        | 2445  | Kuala Lumpur Kepong Berhad              | 2.11                         |
|                        | 4065  | PPB Group Berhad                        | 2.04                         |
|                        | 5168  | Hartalega Holdings Berhad               | 1.75                         |
|                        | 4197  | Sime Darby Berhad                       | 1.67                         |
|                        | 4707  | Nestle (Malaysia) Berhad                | 1.63                         |
|                        | 8869  | Press Metal Aluminium Holdings Berhad   | 1.61                         |
|                        | 3816  | MISC Berhad                             | 1.58                         |
|                        | (Forward)   |   |                              |

|   | <b>Stock code</b>  | <b>Company's name</b>   | <b>Percentage weight (%)</b> | <b>Shares in issue ('million units)</b> |                              |
|---|--|---|------------------------------|---|------------------------------|
|   | 5014   | Malaysia Airports Holdings Berhad                                 | 1.44                         | 1,659.19                                |                              |
|   | 5681   | PETRONAS Dagangan Berhad  | 1.39                         | 993.45                                  |                              |
|   | 3034   | Hap Seng Consolidated Berhad                                      | 1.17                         | 2,489.68                                |                              |
|   | 4863   | Telekom Malaysia Berhad   | 1.15                         | 3,757.93                                |                              |
|   | 1066   | RHB Bank Berhad   | 1.10                         | 4,010.05                                |                              |
|   | 1082   | Hong Leong Financial Group Berhad                                 | 0.80                         | 1,143.55                                |                              |
|   | 5235SS   | KLCC Property Holdings Berhad & KLCC Real Estate Investment Trust | 0.61                         | 1,805.33                                |                              |
| <b>Duration</b>                           | FBM KLCI etf was established on 18 January 2007 and shall exist for as long as it appears to the Manager and the Trustee that it is in the interests of the unitholders for it to continue. In some circumstances, the unitholders can resolve at a meeting to terminate the Fund. |   |                              |   |                              |
| <b>Performance Benchmark</b>              | FTSE Bursa Malaysia KLCI ("FBM KLCI")  |   |                              |   |                              |
| <b>Income Distribution Policy</b>         | Income distribution (if any) is expected to be made semi-annually.   |   |                              |   |                              |
| <b>Breakdown of Unit Holdings by Size</b> | For the financial period under review, the size of the Fund stood at 1,672,000 units.  |   |                              |   |                              |
|   | <b>Size of holding</b>   | <b>As at 30 September 2018</b>                                    |                              | <b>As at 30 June 2018</b>               |                              |
|   |  | <b>No of units held</b>   | <b>Number of unitholders</b> | <b>No of units held</b>                 | <b>Number of unitholders</b> |
|   | Less than 100  | 1,570   | 45                           | 1,658                                   | 47                           |
|   | 100 - 1,000  | 61,406  | 111                          | 52,760                                  | 94                           |
|   | 1,001 - 10,000   | 433,025   | 114                          | 401,983                                 | 104                          |
|   | 10,001 – 100,000   | 708,339   | 28                           | 720,139                                 | 29                           |
|   | 100,001 to less than 5% of issue units   | -   | -                            | -                                       | -                            |
|   | 5% and above of issue units  | 467,660   | 2                            | 495,460                                 | 2                            |

## Fund Performance Data

| Portfolio Composition  | Details of portfolio composition of the Fund for the financial periods as at 30 September 2018, 30 June 2018 and three financial years as at 31 December are as follows: |                             |                             |                 |                 |                 |
|--|--|-----------------------------|-----------------------------|-----------------|-----------------|-----------------|
|  |  | As at<br>30-9-2018<br>%     | As at<br>30-6-2018<br>%     | FY<br>2017<br>% | FY<br>2016<br>% | FY<br>2015<br>% |
|  | Construction   | -                           | -                           | 1.79            | 1.97            | -               |
|  | Consumers products   | 3.42                        | 4.06                        | 2.85            | 3.10            | 3.40            |
|  | Finance  | 35.67                       | 33.31                       | 35.58           | 32.56           | 30.85           |
|  | Industrial products  | 10.79                       | 10.50                       | 6.56            | 7.74            | 7.89            |
|  | Infrastructure project companies   | 3.18                        | 2.98                        | 3.46            | 3.76            | 4.09            |
|  | Plantations  | 8.00                        | 8.60                        | 8.79            | 5.79            | 5.76            |
|  | REITs  | 0.62                        | 0.71                        | 0.72            | 0.59            | 0.58            |
|  | Trading/Services   | 37.2                        | 38.65                       | 39.34           | 43.99           | 46.84           |
|  | Cash and others  | 1.12                        | 1.19                        | 0.91            | 0.50            | 0.59            |
| <b>Total</b>   | <b>100.00</b>  | <b>100.00</b>               | <b>100.00</b>               | <b>100.00</b>   | <b>100.00</b>   |                 |
| <i>Note: The abovementioned percentages are calculated based on total net asset value.</i> |  |                             |                             |                 |                 |                 |
| Performance Details  | Performance details of the Fund for the financial periods ended 30 September 2018, 30 June 2018 and three financial years ended 31 December are as follows:              |                             |                             |                 |                 |                 |
|  |  | 3 months ended<br>30-9-2018 | 3 months ended<br>30-6-2018 | FY<br>2017      | FY<br>2016      | FY<br>2015      |
|  | Net asset value (RM)   | 3,156,670*                  | 2,954,123                   | 3,123,423       | 2,836,171       | 2,908,102       |
|  | Units in circulation   | 1,672,000*                  | 1,672,000                   | 1,672,000       | 1,672,000       | 1,672,000       |
|  | Net asset value per unit (RM)  | 1.8880*                     | 1.7668                      | 1.8681          | 1.6963          | 1.7393          |
|  | Highest net asset per unit (RM)  | 1.9042*                     | 1.9757                      | 1.8704          | 1.7851          | 1.9172          |
|  | Lowest net asset per unit (RM)   | 1.7379*                     | 1.7401                      | 1.6898          | 1.6450          | 1.5833          |
|  | Closing quoted price (RM)  | 1.9100*                     | 1.7900                      | 1.8450          | 1.7550          | 1.7350          |
|  | Highest quoted price (RM)  | 1.9100*                     | 1.9600                      | 1.8600          | 1.7850          | 1.8900          |
|  | Lowest quoted price (RM)   | 1.7500*                     | 1.7600                      | 1.7000          | 1.6450          | 1.5850          |
|  | Benchmark performance (%)  | 7.28                        | -8.43                       | 13.22           | 0.07            | -0.97           |
| (Forward)  |  |                             |                             |                 |                 |                 |

|   | 3 months ended<br>30-9-2018 | 3 months ended<br>30-6-2018 | FY<br>2017 | FY<br>2016 | FY<br>2015 |
|---|-----------------------------|-----------------------------|------------|------------|------------|
| Total return (%) <sup>(1)</sup>                 | 6.86                        | -8.70                       | 12.10      | -0.55      | -2.15      |
| - Capital growth (%)                            | 6.86                        | -8.96                       | 10.15      | -2.45      | -3.54      |
| - Income distribution (%)                       | -                           | 0.26                        | 1.95       | 1.90       | 1.39       |
| Gross distribution (sen per unit)               | -                           | 0.50                        | 3.30       | 3.30       | 2.50       |
| Net distribution (sen per unit)                 | -                           | 0.50                        | 3.30       | 3.30       | 2.50       |
| Distribution yield (%) <sup>(2)</sup>           | -                           | 0.28                        | 1.79       | 1.88       | 1.44       |
| Management expense ratio (%) <sup>(3)</sup>     | 1.07                        | 1.07                        | 1.17       | 0.52       | 1.08       |
| Portfolio turnover ratio (times) <sup>(4)</sup> | 0.02                        | 0.06                        | 0.04       | 0.04       | 0.05       |

\* Above prices and net asset value per unit are not shown as ex-distribution.

*Note:*

- (1) Total return is the actual return of the Fund for the respective financial periods/years computed based on the net asset value per unit and net of all fees.
- (2) Distribution yield is calculated based on the total distribution for the years divided by the closing quoted price.
- (3) Management expense ratio ("MER") is calculated based on the total fees and expenses incurred by the Fund divided by the average fund size calculated on a daily basis.
- (4) Portfolio turnover ratio ("PTR") is calculated based on the average of the total acquisitions and total disposals of investment securities of the Fund divided by the average fund size calculated on a daily basis. The PTR decreased by 0.04 times (66.7%) as compared to 0.06 times for the financial period ended 30 June 2018 mainly due to decrease in investing activities.

#### **Average Total Return (as at 30 September 2018)**

|             | FBM<br>KLCI etf <sup>(a)</sup><br>% | FBM KLCI/<br>FBM30<br>Index <sup>(b)</sup><br>% |
|-------------|-------------------------------------|---|
| One year    | 4.69                                | 5.99  |
| Three years | 5.83                                | 6.66  |
| Five years  | 2.43                                | 3.51  |
| Ten years   | 7.97                                | 9.44  |



**Annual Total Return**

| <b>Financial Years Ended<br/>(31 December)</b> | <b>FBM KLCI<br/>etf<sup>(a)</sup><br/>%</b> | <b>FBM KLCI/<br/>FBM30<br/>Index<sup>(b)</sup><br/>%</b> |
|--|---|--|
| 2017   | 12.10                                       | 13.22  |
| 2016   | -0.55                                       | 0.07   |
| 2015   | -2.15                                       | -0.97  |
| 2014   | -3.55                                       | -2.62  |
| 2013   | 12.71                                       | 14.11  |

(a) Source: Novagni Analytics and Advisory Sdn. Bhd.

(b) Effective from 6 July 2009, the FTSE Bursa Malaysia Large 30 Index (“FBM30Index”) has been renamed FTSE Bursa Malaysia KLCI (“FBM KLCI”).

The Fund performance is calculated based on the net asset value per unit of the Fund. Average total return of the Fund and its benchmark for a period is computed based on the absolute return for that period annualised over one year.

**Note: Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up.**

**Fund Performance**

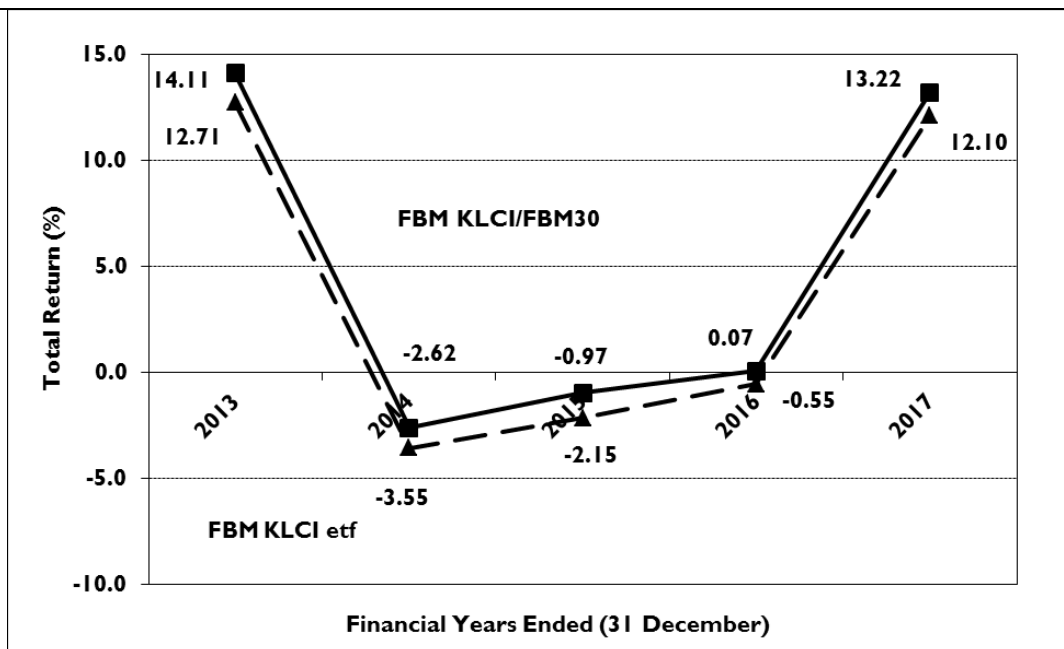
For the financial period under review, the Fund registered a return of 6.86% which was entirely capital growth in nature.

Thus, the Fund’s return of 6.86% has underperformed the benchmark’s return of 7.28% by 0.42%.

As compared with the financial period ended 30 June 2018, the net asset value (“NAV”) of the Fund increased by 6.86% from RM2,954,123 to RM3,156,670. The NAV per unit of the Fund increased by 6.86% from RM1.7668 to RM1.8880, while units in circulations remain unchanged at 1,672,000 units.

The closing price of the Fund quoted on Bursa Malaysia increased by 6.70% from RM1.7900 to RM1.9100.

The line chart below shows comparison between the annual performances of FBM KLCI etf and its benchmark, FBM KLCI/FBM30 Index, for the financial years ended 31 December.



**Note: Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up.**

**Strategies and Policies Employed**

For the financial period under review, the Manager had been indexing using complete or partial replication. This will generally result in the Fund investing all or substantially all of its assets in the constituents of the benchmark index. In managing the Fund, the Manager aims to achieve performance, over time, with a correlation of 95% or better between the Fund's portfolio NAV and the benchmark index.

The Manager will be responsible to monitor the correlation and if, in the Manager's belief, the current portfolio is not tracking the benchmark index and that it will lead to correlation below the objective of 95%, then the Manager may judiciously rebalance the portfolio to improve correlation or to rectify the divergence. Except for index changes, where rebalancing of the portfolio may have to take place prior to, upon or after the index changes, rebalancing of the portfolio will be carried out, no more than once a month.

Where the Manager deems appropriate, the Manager may allow a Participating Dealer that has been pre-approved, to tender Zero Strike Call Options equivalent in value to an In-Kind Creation Basket or multiples thereof, in exchange for ETF units, to facilitate the liquidity provision process.

**Portfolio Structure**

This table below is the asset allocation of the Fund for the financial periods under review.

|                     | As at 30-9-2018 % | As at 30-6-2018 % | Changes % |
|---------------------|-------------------|-------------------|-----------|
| Consumers products  | 3.42              | 4.06              | -0.64     |
| Finance             | 35.67             | 33.31             | 2.36      |
| Industrial products | 10.79             | 10.50             | 0.29      |

(Forward)

|                                      |   | As at<br>30-9-2018<br>% | As at<br>30-6-2018<br>% | Changes<br>% |
|--------------------------------------|---|-------------------------|-------------------------|--------------|
|                                      | Infrastructure project companies  | 3.18                    | 2.98                    | 0.20         |
|                                      | Plantations   | 8.00                    | 8.60                    | -0.60        |
|                                      | REITs   | 0.62                    | 0.71                    | -0.09        |
|                                      | Trading/Services  | 37.2                    | 38.65                   | -1.45        |
|                                      | Cash and others   | 1.12                    | 1.19                    | -0.07        |
|                                      | <b>Total</b>  | <b>100.00</b>           | <b>100.00</b>           |              |
|                                      | For the financial period under review, there were no significant changes to sector weights.   |                         |                         |              |
| <b>Cross Trades</b>                  | There are no cross trades for the Fund during the financial period under review   |                         |                         |              |
| <b>Distribution/<br/>unit splits</b> | There was no income distribution and unit split declared for the financial period under review.   |                         |                         |              |
| <b>State of Affairs of the Fund</b>  | <p>There has been neither significant change to the state of affairs of the Fund nor any circumstances that materially affect any interests of the unitholders during the financial period under review.</p> <p><i>Note: The Manager has appointed Deutsche Trustees Malaysia Berhad (“DTMB”) to carry out the fund accounting and valuation services for all funds effective 20th June 2018.</i></p>   |                         |                         |              |
| <b>Rebates and Soft Commission</b>   | <p>It is our policy to pay all rebates to the Fund. Soft commission received from brokers/dealers is retained by the Manager only if the goods and services provided are of demonstrable benefit to unitholders of the Fund.</p> <p>During the financial period under review, the Manager had received on behalf of the Fund, soft commissions in the form of fundamental database, financial wire services, technical analysis software and stock quotation system incidental to investment management of the Fund. These soft commissions received by the Manager are deemed to be beneficial to the unitholders of the Fund.</p>   |                         |                         |              |
| <b>Market Review</b>                 | <p>In July, KLCI surged 5.6% m.o.m. On global front, Brent crude oil price declined 6.5% m.o.m. on talk of possible release from global crude reserves, data from the International Monetary Fund showing a slowdown in global economic growth, and the potential for U.S. waivers on Iran oil sanctions. Market sentiment was affected by the US-China trade tension and uncertainty of the global rate hikes that would slowdown the global growth.</p> <p>The KLCI is up 2% m.o.m. Although KLCI seemed strong, it was not broad-based. FBM Mid 70 Index and FBM Small Cap Index actually declined 2.5% and 2.2% m.o.m respectively. KLCI’s outperformance was driven mainly by the Finance sector, up 3.1% m.o.m. Construction and Properties were the worst performing sector, declined 5.8% and 4.7% m.o.m respectively. Sentiment for Construction sector turned bearish after PM Mahathir announced the cancellation of the East Coast Rail Link project after his visit to Beijing. He further highlighted that fixing</p> |                         |                         |              |

|                               |   |
|-------------------------------|---|
|                               | <p>the country's finances remains the key priority of the government. Government's finance was weakened especially after Finance Minister Lim revealed that total tax refund (GST and income tax) owed by Government amounted to RM35.4 bil. Foreigners net selling dropped to near zero in Aug 2018 (Jul: - RM1.7 bil). YTD foreign outflow was unchanged at RM8.5 bil.</p> <p>For the month of September, KLCI was down 4.7% m.o.m, in tandem with the global equity market rout. This was mainly driven by US Treasury 10Y yields surging to 3.18% in early Oct. Bursa Malaysia Small Cap Index was worst hit down by 11.4% m.o.m, followed by FBM70 that tumbled 9.3% m.o.m. Sector wise, construction and telecommunication were the worst performing sectors, declined by 15.9% and 14.2% m.o.m. respectively. In Oct, foreign outflows resumed with RM1.5 bil outflow.</p>   |
| <b>Market Outlook</b>         | <p>Global market continues to be volatile in the month of October especially in the US market. Market sentiment continues to be affected by the concern on the 1) global rising interest rate which may lead to a global slowdown; 2) US-China trade war tension; and 3) rising bond yields. Obviously those factors mentioned above are nothing new to the market. Investors are also scrutinising the developments of the upcoming US midterm election and Trump-Xi's meeting. The late buying in the US market on the final days of October, was rather supported by the 1) strong corporate earnings; 2) Fed's indication that there isn't much risk of high inflation and 3) decent US' economic numbers. IMF's forecast on global growth of 3.7% for 2018 and 2019 is not too bad in our view.</p> <p>The Malaysian market was affected by the 1) continue outflow of the foreign funds, where YTD nearly all of the 2017 inflows have been reversed; 2) uncertainty in the upcoming budget by the new administration; 3) probability of another subdued 3Q18 results reporting season in November. Hence our neutral stance on the local market for the near term stays. We prefer to be more defensive and position our portfolio to be more income based. Sectors that we remain positive are financial, consumer, oil &amp; gas, exporters, technology and REITs.</p> |
| <b>Additional Information</b> | <p>The following information has been updated:</p> <ol style="list-style-type: none"> <li>1. Raja Maimunah Binti Raja Abdul Aziz has resigned from her position as a Non-Independent Non-Executive Director for AmFunds Management Berhad with effect from 1st July 2018.</li> <li>2. Seohan Soo has been appointed as a Non-Independent Non-Executive Director for AmFunds Management Berhad with effect from 1st August 2018.</li> <li>3. Effective from 1<sup>st</sup> September 2018 the company secretaries has been changed as<br/> Gian Ai Ziah (MAICSA 7045071)<br/> Koh Suet Peng (MAICSA 7019861)<br/> 22nd Floor, Bangunan AmBank Group<br/> No. 55 Jalan Raja Chulan<br/> 50200 Kuala Lumpur</li> </ol>   |

Kuala Lumpur, Malaysia  
AmFunds Management Berhad

7 November 2018

## ADDITIONAL INFORMATION

### Board of Directors of the Manager

The Board of Directors, of which more than one-third are independent members, exercise ultimate control over the operations of the Manager. For the financial period from 1 July 2018 to 30 September 2018, there was one (1) Board of Directors' meeting held by the Manager.

Details of the Directors of the Manager as at 30 September 2018 are set out as below:

|   |   |
|---|---|
| <b>Name</b>                                 | : Seohan Soo  |
| <b>Age</b>                                  | : 52 years old  |
| <b>Nationality</b>                          | : Malaysian   |
| <b>Qualification</b>                        | : i) Bachelor of Laws with Honours -The University of Warwick (1992)<br>ii) Master of Laws -Taxation/Corporate Law and Finance/Law of International Trade- University of Cambridge (1993)<br>iii) Barrister-at-Law, Lincolns Inn, London (1994)<br>iv) Advocate and Solicitor, High Court of Malaya (1995)  |
| <b>Executive/Non-Executive Director</b>     | : Non-Executive Director  |
| <b>Independent/Non-Independent Director</b> | : Non-Independent and Non-Executive   |
| <b>Working Experience</b>                   | : i) (July 2018 – Present)<br>AmInvestment Bank Berhad<br>[Chief Executive Officer]<br><br>ii) (November 2015- June 2018)<br>Capital Markets Group of AmInvestment Bank Berhad<br>[Executive Vice President]<br><br>iii) (June 2014 - October 2015)<br>Markets of AmBank Group<br>[Executive Vice President]<br><br>iv) (December 2003 – June 2014)<br>Debt Capital Markets of AmInvestment Bank Berhad<br>[Director/ Head]<br><br>v) (September 1998-September 2003)<br>Investment Banking and Treasury Markets Divisions of HSBC Bank Malaysia Berhad<br>[Director of Debt Capital Markets]<br><br>vi) (May 1995-August 1998)<br>Commerce International Merchant Bankers Bhd (CIMB)<br>[Debt Capital Markets]<br><br>vii) (August 1994 –April 1995) |

|   |  |
|---|--|
|   | Soo Thien Ming & Shahrizat, Advocates & Solicitors<br>[Legal Training (Chambering)]  |
| <b>Occupation</b>   | : Chief Executive Officer of AmInvestment Bank Berhad  |
| <b>Date of appointment</b>  | : 1 August 2018  |
| <b>Directorship of other public companies</b>   | : AmFunds Management Berhad and AmInvestment Group Berhad  |
| <b>Number of Board meeting attended for the financial period from 1 July 2018 to 30 September 2018</b>                | : One (1)  |
| <b>Member of any other Board Committee</b>  | : Nil  |
| <b>Date of appointment to the Investment Committee</b>  | : He is not a member of Investment Committee   |
| <b>Number of Investment Committee meeting attended for the financial period from 1 July 2018 to 30 September 2018</b> | : N/A  |
| <b>Family relationship with any director</b>  | : Nil  |
| <b>Conflict of interest with the Fund</b>   | : Nil  |
| <b>List of convictions for offences within the past 10 years (if any)</b>   | : Nil  |
| <b>Name</b>   | : Dato' Mustafa bin Mohd Nor   |
| <b>Age</b>  | : 66 years old   |
| <b>Nationality</b>  | : Malaysian  |
| <b>Qualification</b>  | : i) Master of Arts (Economic Policy), Boston University, USA<br>ii) Bachelor of Economics (Analytical), University of Malaya, Malaysia  |
| <b>Executive/Non-Executive Director</b>   | : Non-Executive Director   |
| <b>Independent/Non-Independent Director</b>   | : Independent Director   |
| <b>Working Experience</b>   | : i) (1975-1988)<br>Ministry of Finance<br>[Last position held – Head of Macroeconomic Section, Economic and International Division]<br><br>ii) (1988-1990)<br>Development & Commercial Bank Berhad<br>[Manager, Treasury Department]<br><br>iii) (March 1990-August 1992)<br>Arab-Malaysian Securities Sdn Bhd<br>[Chief Economist] |

|   |  |
|---|--|
|   | iv) (September 1992-December 2001)<br>AmSecurities Sdn Bhd<br>[Executive Director/Chief Economist]   |
|   | v) (January 2002-December 2005)<br>AmSecurities Sdn Bhd<br>[Managing Director]   |
|   | vi) (January 2006-May 2009) (Retirement)<br>AmInvestment Bank Berhad Group<br>[Economic Advisor]   |
|   | vii) (September 2009-August 2012) (Contract)<br>Permodalan Nasional Berhad<br>[Senior Vice President/Head, Research Division]                                    |
| <b>Occupation</b>   | : Director   |
| <b>Date of appointment</b>  | : 3 March 2014   |
| <b>Directorship of other public companies</b>   | : KUISAS Berhad  |
| <b>Number of Board meeting attended for the financial period from 1 July 2018 to 30 September 2018</b>                | : One (1) out of one (1) Board Meeting   |
| <b>Member of any other Board Committee</b>  | : i) Audit and Examination Committee (formerly known as Audit Committee of Directors)  |
| <b>Date of appointment to the Investment Committee</b>  | : 3 March 2014   |
| <b>Number of Investment Committee meeting attended for the financial period from 1 July 2018 to 30 September 2018</b> | : i. Investment Committee – Unit Trust<br>One (1) out of one (1) meeting<br>ii. Separately Managed Funds – Oversight Committee<br>One (1) out of one (1) meeting |
| <b>Family relationship with any director</b>  | : None   |
| <b>Conflict of interest with the Fund</b>   | : None   |
| <b>List of convictions for offences within the past 10 years (if any)</b>   | : None   |

|                      |   |
|----------------------|---|
| <b>Name</b>          | : Tai Terk Lin  |
| <b>Age</b>           | : 57 years old  |
| <b>Nationality</b>   | : Malaysian   |
| <b>Qualification</b> | : i) Master of Business Administration (School of Management), Cranfield Institute of Technology, United Kingdom<br>ii) Bachelor of Science with Education, Mathematics & Physics, University of Malaya, Malaysia<br>iii) Certified Financial Planner Board of Standard, Inc, |

|   |   |
|---|---|
|   | USA Certified Financial Planner<br>iv) Financial Industry Certified Professional, FICP,<br>Institute of Banking & Finance (IBF), Singapore  |
| <b>Executive/Non-Executive Director</b>   | : Non-Executive Director  |
| <b>Independent/Non-Independent Director</b>   | : Independent Director  |
| <b>Working Experience</b>   | : <ul style="list-style-type: none"> <li>i) (October 2009 – September 2012)<br/>(Oct 2012 with ICB Indonesia)<br/>AG, ICB Banking Group<br/>[Group Chief Executive Officer of ICB Financial Group Holdings]</li> <li>ii) (January 2009 – August 2009)<br/>Platinum Capital Management (Asia) Pte Ltd, Singapore<br/>[Executive Director/Head of Business Development Asia]</li> <li>iii) (January 2007 – November 2008)<br/>DBS Bank, Singapore<br/>[Senior Vice President/Head – Malaysia Coverage Private Banking]</li> <li>iv) (March 2002 – December 2006)<br/>AmInvestment Bank Berhad<br/>[Director/Head, Private Banking]</li> <li>v) (April 1995 – December 2001)<br/>HLB Unit Trust Management Bhd<br/>[Chief Executive Officer]</li> <li>vi) (April 1994 – March 1995)<br/>Hong Leong Bank Berhad (Ex-Hong Leong Finance)<br/>[Chief Project Manager/Credit Manager]</li> <li>vii) (January 1994 – April 1994)<br/>United Merchant Finance Berhad<br/>[Special Assistant to Executive Chairman]</li> <li>viii) (June 1992 – December 1993)<br/>Hong Leong Management Company Sdn Bhd<br/>[Senior Analyst (Executive Chairman’s Office)]</li> <li>ix) (January 1991 – June 1992)<br/>Corporate Care Division, PricewaterhouseCoopers<br/>[Consulting Manager]</li> </ul> |
| <b>Occupation</b>   | : Director  |
| <b>Date of appointment</b>  | : 15 December 2014  |
| <b>Directorship of other public companies</b>   | : None  |
| <b>Number of Board meeting attended for the financial period from 1 July 2018 to 30</b> | : One (1) out of one (1) Board Meeting  |



|   |  |
|---|--|
| <b>September 2018</b>   |  |
| <b>Member of any other Board Committee</b>  | : Audit and Examination Committee (formerly known as Audit Committee of Directors)   |
| <b>Date of appointment to the Investment Committee</b>  | : 15 December 2014   |
| <b>Number of Investment Committee meeting attended for the financial period from 1 July 2018 to 30 September 2018</b> | : iii. Investment Committee – Unit Trust<br>One (1) out of one (1) meeting<br>iv. Separately Managed Funds – Oversight Committee<br>One (1) out of one (1) meeting |
| <b>Family relationship with any director</b>  | : None   |
| <b>Conflict of interest with the Fund</b>   | : None   |
| <b>List of convictions for offences within the past 10 years (if any)</b>   | : None   |

|   |  |
|---|--|
| <b>Name</b>                                 | : Sum Leng Kuang   |
| <b>Age</b>                                  | : 63 years old   |
| <b>Nationality</b>                          | : Malaysian  |
| <b>Qualification</b>                        | : i) Bachelor of Commerce (Finance), University of Canterbury, New Zealand<br>ii) Certified Financial Planner, Financial Planning Association of Malaysia  |
| <b>Executive/Non-Executive Director</b>     | : Non-Executive Director   |
| <b>Independent/Non-Independent Director</b> | : Independent Director   |
| <b>Working Experience</b>                   | : i) (May 1982- September 2001)<br>Overseas Assurance (M) Berhad<br>[Deputy Head, Investment]<br><br>ii) (September 2001-December 2011)<br>Great Eastern Life Assurance (M) Berhad<br>[Senior Vice President & Head, Fixed Income Investment]<br><br>iii) (January 2012-April 2013)<br>Great Eastern Life Assurance (M) Berhad<br>[Senior Vice President & Advisor, Fixed Income Investment]<br><br>iv) (May 2013-July 2014)<br>Hong Leong Asset Management Berhad<br>[Chief Investment Officer, Fixed Income & Acting Chief Executive Officer]<br><br>v) (May 2015-Present)<br>Credit Guarantee Corporation Malaysia Berhad<br>[Advisor, Investment (Contract)] |
| <b>Occupation</b>                           | : Advisor, Investment of Credit Guarantee Corporation Malaysia Berhad  |

|  |  |
|--|--|
| <b>Date of appointment</b>   | : 18 January 2016  |
| <b>Directorship of other public companies</b>  | : Pacific & Orient Insurance Co. Berhad  |
| <b>Number of Board meeting attended for the financial period from 1 July 2018 to 30 September 2018</b>                 | : One (1) out of one (1) Board Meeting   |
| <b>Member of any other Board Committee</b>   | : Audit and Examination Committee (formerly known as Audit Committee of Directors)   |
| <b>Date of appointment to the Investment Committee</b>   | : 18 January 2016  |
| <b>Number of Investment Committee meetings attended for the financial period from 1 July 2018 to 30 September 2018</b> | : i. Investment Committee – Unit Trust<br>One (1) out of one (1) meeting<br>ii. Separately Managed Funds – Oversight Committee<br>One (1) out of one (1) meeting |
| <b>Family relationship with any director</b>   | : None   |
| <b>Conflict of interest with the Fund</b>  | : None   |
| <b>List of convictions for offences within the past 10 years (if any)</b>  | : None   |

|   |  |
|---|--|
| <b>Name</b>                                 | : Goh Wee Peng   |
| <b>Age</b>                                  | : 43 years old   |
| <b>Nationality</b>                          | : Malaysian  |
| <b>Qualification</b>                        | : i) Bachelor of Business (Economics and Finance)<br>ii) Persatuan Forex License (Institute Bank-bank Malaysia)<br>iii) Dealer's Representative License (issued by Securities Commission)<br>iv) Capital Markets Services Representative License Holder  |
| <b>Executive/Non-Executive Director</b>     | : Executive Director   |
| <b>Independent/Non-Independent Director</b> | : Non-Independent Director   |
| <b>Working Experience</b>                   | : i) (April 1997-July 1999)<br>Fulton Prebon (M) Sdn Bhd<br>[Money Market Broker]<br><br>ii) (August 1999-Jun2000)<br>HLG Securities Sdn Bhd<br>[Institutional Dealer]<br><br>iii) (July 2000-May 2001)<br>HLG Asset Management<br>[Research Executive]<br><br>iv) (May 2001-May 2002)<br>HLG Asset Management<br>[Investment Analyst]<br><br>v) (June 2002-August 2002) |

|  |  |
|--|--|
|  | <p>Southern Bank Berhad<br/>[Fixed Income Dealer]</p> <p>vi) (September 2002-March 2004)<br/>AmInvestment Management Sdn Bhd<br/>[Credit Analyst]</p> <p>vii)(April 2004-March 2005)<br/>AmInvestment Management Sdn Bhd<br/>[Assistant Fund Manager]</p> <p>viii) (April 2005-March 2006)<br/>AmInvestment Management Sdn Bhd<br/>[Fund Manager]</p> <p>ix) (April 2006-March 2009)<br/>AmInvestment Management Sdn Bhd<br/>[Head of Fixed Income]</p> <p>x) (April 2009-March 2010)<br/>AmInvestment Management Sdn Bhd<br/>[Head of Fixed Income &amp; Acting Chief Investment Officer<br/>of Fixed Income]</p> <p>xi) (April 2010-June 2016)<br/>AmInvestment Management Sdn Bhd/AmFunds<br/>Management Berhad<br/>[Chief Investment Officer of Fixed Income]</p> <p>xii)(July 2016-May 2017)<br/>AmFunds Management Berhad<br/>[Deputy Chief Executive Officer]</p> <p>xiii) (June 2017-Present)<br/>AmFunds Management Berhad<br/>[Acting Chief Executive Officer]</p> |
| <b>Occupation</b>  | : Chief Executive Officer (approved by SC on 28/08/2018)   |
| <b>Date of appointment</b>   | : 1 June 2017  |
| <b>Directorship of other public companies</b>  | : None   |
| <b>Number of Board meeting attended for the financial period from 1 July 2018 to 30 September 2018</b> | : One (1) out of one (1) Board Meeting   |
| <b>Member of any other Board Committee</b>   | : None   |
| <b>Date of appointment to the Investment Committee</b>   | : 31 October 2017  |
| <b>Number of Investment Committee meeting attended for the financial period from 1 July</b>            | : i. Investment Committee – Unit Trust<br>One (1) out of one (1) meeting<br>ii. Separately Managed Funds – Oversight Committee   |

|   |                                |
|---|--------------------------------|
| <b>2018 to 30 September 2018</b>  | One (1) out of one (1) meeting |
| <b>Family relationship with any director</b>                              | : None                         |
| <b>Conflict of interest with the Fund</b>                                 | : None                         |
| <b>List of convictions for offences within the past 10 years (if any)</b> | : None                         |

## Investment Committee

The Investment Committee, of which more than one-third are independent members, exercise ultimate select appropriate strategies and efficiently implemented to achieve the proper performance, actively monitor, measure and evaluate the fund management performance of the Manager. For the financial period from 1 July 2018 to 30 September 2018, there were two (2) Investment Committee Meetings held by the Manager.

- Madam Sum Leng Kuang (profile as mentioned above)
- Y. Bhg. Dato' Mustafa bin Mohd Nor (profile as mentioned above)
- Mr Tai Terk Lin (profile as mentioned above)
- Zainal Abidin Bin Mohd Kassim (profile as mentioned below)
- Goh Wee Peng (profile as mentioned above)

|   |   |
|---|---|
| <b>Name</b>   | : Zainal Abidin Bin Mohd Kassim   |
| <b>Age</b>  | : 62 years old  |
| <b>Nationality</b>  | : Malaysian   |
| <b>Qualification</b>  | : i) Bachelor of Science, (First Class Honours), in Actuarial Science (1978), City University London<br>ii) Fellow of the Actuarial Society of Malaysia<br>iii) Fellow of the Society of Actuaries of Singapore<br>iv) Associate of the Society of Actuaries, USA |
| <b>Independent/Non-Independent Member</b>   | : Independent member  |
| <b>Working Experience</b>   | : i) (1978 -1982)<br>Prudential Assurance Plc, London<br>[Actuarial Assistant]<br><br>ii) (1982 – Present)<br>Actuarial Partners Consulting, Malaysia<br>[Consulting Actuary and Senior Partner]  |
| <b>Occupation</b>   | : Consulting Actuary, Actuarial Partners Consulting Sdn Bhd   |
| <b>Date of appointment to the Investment Committee</b>  | : 30 November 2016  |
| <b>Number of Investment Committee meeting attended for the financial period from 1 July 2018 to 30 September 2018</b> | : i. Investment Committee – Unit Trust<br>One (1) out of one (1) meeting  |
| <b>Conflict of interest with the Fund</b>   | : None  |
| <b>List of convictions for offences within the past 10 years (if any)</b>   | : None  |

## Material Litigation

For the financial year under review, neither the Directors of the management company nor the Manager of the Fund were engaged in any material litigation and arbitration, including those pending or threatened, and any facts likely to give any proceedings, which might materially affect the business/financial position of the Manager and of its delegates. The Fund has also not engaged in any material litigation and arbitration, including those pending or threatened, and any facts likely to give any proceedings, which might materially affect the Fund.

## Manager

Previously, we have appointed AmInvestment Management Sdn Bhd (“AIM”) to implement the Fund’s investment strategy on behalf of us to achieve the objectives of the Fund. However, following the consolidation of business activities of AmFunds Management Berhad (formerly known as AmInvestment Services Berhad) (“AFM”) and AIM on 1 December 2014, AFM has acquired/assume the obligations, undertaking, commitments and contingencies of AIM. Effective 1 December 2014, AFM is a licensed fund manager approved by the Securities Commission Malaysia and manages the Fund.

## Investment Committee

The Investment Committee reviews the Fund’s investment objective and guidelines; and to ensure that the Fund is invested appropriately. For the financial period from 1 July 2018 to 30 September 2018, there were two (2) Investment Committee Meetings held by the Manager.

## Unitholders

List of the unitholders having the largest number of units:

| <b>NAME</b>                           | <b>Number of Unit Held</b> | <b>Units Held (%)</b> |
|---------------------------------------|----------------------------|-----------------------|
| AMINVESTMENT BANK BERHAD              | 321,860                    | 19.25000              |
| ALLIANCE INVESTMENT BANK BERHAD       | 145,800                    | 8.72010               |
| MAYBANK INVESTMENT BANK BERHAD        | 100,000                    | 5.98086               |
| HONG LEONG INVESTMENT BANK BERHAD     | 71,917                     | 4.30126               |
| CITIBANK BERHAD                       | 51,900                     | 3.10407               |
| HONG LEONG INVESTMENT BANK BERHAD     | 40,000                     | 2.39234               |
| MALACCA SECURITIES SDN BHD            | 38,200                     | 2.28469               |
| ALLIANCE INVESTMENT BANK BERHAD       | 25,720                     | 1.53828               |
| MAYBANK INVESTMENT BANK BERHAD        | 25,720                     | 1.53828               |
| MERCURY SECURITIES SDN BHD            | 25,720                     | 1.53828               |
| KENANGA INVESTMENT BANK BERHAD        | 25,720                     | 1.53828               |
| AFFIN HWANG INVESTMENT BANK BERHAD    | 25,720                     | 1.53828               |
| UOB KAY HIAN SECURITIES (M) SDN. BHD. | 25,216                     | 1.50813               |
| KENANGA INVESTMENT BANK BERHAD        | 20,000                     | 1.19617               |
| RHB INVESTMENT BANK BERHAD            | 20,000                     | 1.19617               |
| AMINVESTMENT BANK BERHAD              | 19,600                     | 1.17225               |
| RHB INVESTMENT BANK BERHAD            | 19,290                     | 1.15371               |
| AFFIN HWANG INVESTMENT BANK BERHAD    | 18,000                     | 1.07656               |
| HONG LEONG INVESTMENT BANK BERHAD     | 17,800                     | 1.06459               |
| MALACCA SECURITIES SDN BHD            | 16,700                     | 0.99880               |
| HONG LEONG INVESTMENT BANK BERHAD     | 14,432                     | 0.86316               |
| PUBLIC INVESTMENT BANK BERHAD         | 14,144                     | 0.84593               |
| RHB INVESTMENT BANK BERHAD            | 12,860                     | 0.76914               |
| TA SECURITIES HOLDINGS BERHAD         | 12,860                     | 0.76914               |
| AFFIN HWANG INVESTMENT BANK BERHAD    | 12,000                     | 0.71770               |
| HONG LEONG INVESTMENT BANK BERHAD     | 11,600                     | 0.69378               |
| CIMB INVESTMENT BANK BERHAD           | 11,500                     | 0.68780               |
| CIMB INVESTMENT BANK BERHAD           | 10,720                     | 0.64115               |
| CIMB INVESTMENT BANK BERHAD           | 10,700                     | 0.63995               |
| MAYBANK INVESTMENT BANK BERHAD        | 10,300                     | 0.61603               |

**FTSE Bursa Malaysia KLCI etf (“FBM KLCI etf”)**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2018**

|                                      | Note     | 30-9-2018<br>(unaudited)<br>RM | 31-12-2017<br>(audited)<br>RM |
|--------------------------------------|----------|--------------------------------|-------------------------------|
| <b>ASSETS</b>                        |          |                                |                               |
| Investments                          | 4        | 3,121,374                      | 3,095,109                     |
| Dividends receivable                 |          | 24,659                         | 351                           |
| Cash at banks                        |          | 22,845                         | 89,734                        |
| <b>TOTAL ASSETS</b>                  |          | <u>3,168,878</u>               | <u>3,185,194</u>              |
| <b>LIABILITIES</b>                   |          |                                |                               |
| Amount due to Manager                | 5        | 1,537                          | 1,499                         |
| Amount due to Trustee                | 6        | 150                            | 146                           |
| Amount due to index provider         | 7        | 1,305                          | 311                           |
| Distributions payable                |          | -                              | 46,816                        |
| Sundry payables and accrued expenses |          | 9,216                          | 12,999                        |
| <b>TOTAL LIABILITIES</b>             |          | <u>12,208</u>                  | <u>61,771</u>                 |
| <b>EQUITY</b>                        |          |                                |                               |
| Unitholders’ capital                 | 10(a)    | 2,218,683                      | 2,218,683                     |
| Retained earnings                    | 10(b)(c) | 937,987                        | 904,740                       |
| <b>TOTAL EQUITY</b>                  | 10       | <u>3,156,670</u>               | <u>3,123,423</u>              |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |          | <u>3,168,878</u>               | <u>3,185,194</u>              |
| <b>UNITS IN CIRCULATION</b>          | 10(a)    | <u>1,672,000</u>               | <u>1,672,000</u>              |
| <b>NET ASSET VALUE PER UNIT</b>      |          | <u>188.80 sen</u>              | <u>186.81 sen</u>             |

The accompanying notes form an integral part of the financial statements.



**FTSE Bursa Malaysia KLCI etf (“FBM KLCI etf”)**

**STATEMENT OF COMPREHENSIVE INCOME (Unaudited)  
FOR THE FINANCIAL PERIOD FROM 1 JULY 2018 TO 30 SEPTEMBER 2018**

|   | Note | 1-7-2018 to<br>30-9-2018<br>RM | 1-7-2017 to<br>30-9-2017<br>RM |
|---|------|--------------------------------|--------------------------------|
| <b>INVESTMENT INCOME</b>  |      |                                |                                |
| Gross dividend income   |      | 38,294                         | 24,702                         |
| Net gain/(loss) from investments:                                 |      |                                |                                |
| – Financial assets at fair value through profit or loss (“FVTPL”) | 8    | <u>173,632</u>                 | <u>(13,894)</u>                |
| Gross Income  |      | <u>211,926</u>                 | <u>10,808</u>                  |
| <b>EXPENDITURE</b>  |      |                                |                                |
| Manager’s fee   | 5    | (3,856)                        | (3,841)                        |
| Trustee’s fee   | 6    | (463)                          | (461)                          |
| Licence fee   | 7    | (309)                          | (365)                          |
| Auditors’ remuneration  |      | (1,122)                        | (1,122)                        |
| Tax agent’s fee   |      | (1,247)                        | (1,247)                        |
| Other expenses  | 9    | <u>(2,367)</u>                 | <u>(2,141)</u>                 |
| Total Expenditure   |      | <u>(9,364)</u>                 | <u>(9,177)</u>                 |
| NET INCOME BEFORE TAX   |      | 202,562                        | 1,631                          |
| LESS: INCOME TAX  | 12   | <u>(15)</u>                    | <u>(11)</u>                    |
| NET INCOME AFTER TAX  |      | 202,547                        | 1,620                          |
| OTHER COMPREHENSIVE INCOME  |      | <u>-</u>                       | <u>-</u>                       |
| TOTAL COMPREHENSIVE INCOME<br>FOR THE FINANCIAL PERIOD            |      | <u><u>202,547</u></u>          | <u><u>1,620</u></u>            |
| Total comprehensive income comprises the following:               |      |                                |                                |
| Realised income   |      | 39,997                         | 15,514                         |
| Unrealised gain/(loss)  |      | <u>162,550</u>                 | <u>(13,894)</u>                |
|   |      | <u><u>202,547</u></u>          | <u><u>1,620</u></u>            |

The accompanying notes form an integral part of the financial statements.

**FTSE Bursa Malaysia KLCI etf (“FBM KLCI etf”)**

**STATEMENT OF CHANGES IN EQUITY (Unaudited)  
FOR THE FINANCIAL PERIOD FROM 1 JULY 2018 TO 30 SEPTEMBER 2018**

|  | <b>Unitholders’<br/>capital<br/>RM</b> | <b>Retained<br/>earnings<br/>RM</b> | <b>Total<br/>equity<br/>RM</b> |
|--|--|-------------------------------------|--------------------------------|
| At 1 July 2017   | 2,218,683                              | 849,709                             | 3,068,392                      |
| Total comprehensive income for the<br>financial period | -                                      | 1,620                               | 1,620                          |
| Balance at 30 September 2017                           | <u>2,218,683</u>                       | <u>851,329</u>                      | <u>3,070,012</u>               |
| At 1 July 2018   | 2,218,683                              | 735,440                             | 2,954,123                      |
| Total comprehensive income for the<br>financial period | -                                      | 202,547                             | 202,547                        |
| Balance at 30 September 2018                           | <u>2,218,683</u>                       | <u>937,987</u>                      | <u>3,156,670</u>               |

The accompanying notes form an integral part of the financial statements.

**FTSE Bursa Malaysia KLCI etf (“FBM KLCI etf”)****STATEMENT OF CASH FLOWS (Unaudited)  
FOR THE FINANCIAL PERIOD FROM 1 JULY 2018 TO 30 SEPTEMBER 2018**

|   | <b>1-7-2018 to<br/>30-9-2018<br/>RM</b> | <b>1-7-2017 to<br/>30-9-2017<br/>RM</b> |
|---|---|---|
| <b>CASH FLOWS FROM OPERATING AND<br/>INVESTING ACTIVITIES</b>           |   |   |
| Proceeds from sale of investments                                       | 44,227                                  | -                                       |
| Dividends received  | 26,626                                  | 16,261                                  |
| Manager’s fee paid  | (3,855)                                 | (3,850)                                 |
| Trustee’s fee paid  | (458)                                   | (461)                                   |
| Tax agent’s fee paid  | (5,000)                                 | (5,000)                                 |
| Payments for other expenses   | (2,435)                                 | (3,960)                                 |
| Purchase of investments   | (73,018)                                | -                                       |
|   | <hr/>                                   | <hr/>                                   |
| Net cash (used in)/generated from operating and<br>investing activities | (13,913)                                | 2,990                                   |
|   | <hr/>                                   | <hr/>                                   |
| <b>CASH FLOW FROM FINANCING ACTIVITY</b>                                |   |   |
| Distributions paid  | (8,360)                                 | (8,360)                                 |
|   | <hr/>                                   | <hr/>                                   |
| Net cash used in financing activity                                     | (8,360)                                 | (8,360)                                 |
|   | <hr/>                                   | <hr/>                                   |
| <b>NET DECREASE IN CASH AND CASH<br/>EQUIVALENTS</b>                    | (22,273)                                | (5,370)                                 |
| <b>CASH AND CASH EQUIVALENTS AT<br/>BEGINNING OF FINANCIAL PERIOD</b>   | 45,118                                  | 60,636                                  |
|   | <hr/>                                   | <hr/>                                   |
| <b>CASH AND CASH EQUIVALENTS AT<br/>END OF FINANCIAL PERIOD</b>         | 22,845                                  | 55,266                                  |
|   | <hr/> <hr/>                             | <hr/> <hr/>                             |
| Cash and cash equivalents comprise:                                     |   |   |
| Cash at banks   | 22,845                                  | 55,266                                  |
|   | <hr/> <hr/>                             | <hr/> <hr/>                             |

The accompanying notes form an integral part of the financial statements.

## FTSE Bursa Malaysia KLCI etf (“FBM KLCI etf”)

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. GENERAL INFORMATION

FBM KLCI etf (“the Fund”) was established pursuant to a Deed dated 18 January 2007 as amended by the Deeds Supplemental thereto (“the Deed”), between AmFunds Management Berhad as the Manager, HSBC (Malaysia) Trustee Berhad as the Trustee and all unitholders.

On 6 July 2009, the Fund’s benchmark, FTSE Bursa Malaysia Large 30 Index (“FBM30”) has been renamed to FTSE Bursa Malaysia KLCI and concurrent with this change, the Fund also announced the change of name to FTSE Bursa Malaysia KLCI etf (short name: FBM KLCI etf). The Fund’s change of its name is pursuant to the Third Supplemental Deed dated 29 June 2009.

The Fund was set up with the objective to achieve a price and yield performance, before fees, expenses and tax, that is generally similar to that of the benchmark index, FTSE Bursa Malaysia KLCI, balanced with the need to facilitate liquidity provision. As provided in the Deeds, the “accrual period” or financial year shall end on 31 December and the units in the Fund were first offered for sale on 7 June 2007.

#### 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) as issued by the Malaysian Accounting Standards Board (“MASB”) and are in compliance with International Financial Reporting Standards.

The financial statements of the Fund have been prepared under the historical cost convention, unless otherwise stated in the accounting policies.

##### Standards effective during the financial period

The adoption of MFRS which have been effective during the financial period did not have any material financial impact to the financial statements.

##### MFRS 9 Financial Instruments

MFRS 9 reflects International Accounting Standards Board’s (“IASB”) work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement (“MFRS 139”). MFRS 9 will be effective for financial year beginning on or after 1 January 2018. The Fund is in the process of quantifying the impact of the first adoption of MFRS 9. Based on the Fund’s preliminary assessment, there is a minimal impact on the classification and measurement of the Fund’s investments as the investments will continue to be measured at FVTPL. Further, there is no impact on the classification and measurement of the Fund’s financial liabilities.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### **Income recognition**

Income is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. Income is measured at the fair value of consideration received or receivable.

Dividend income is recognised when the Fund's right to receive payment is established. Interest income on short-term deposits is recognised on an accrual basis using the effective interest method.

Application fee is recognised at pre-determined amount upon the creation or redemption of units or the cancellation of such requests.

#### **Income tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

#### **Functional and presentation currency**

Functional currency is the currency of the primary economic environment in which the Fund operates that most faithfully represents the economic effects of the underlying transactions. The functional currency of the Fund is Ringgit Malaysia which reflects the currency in which the Fund competes for funds, issues and redeems units. The Fund has also adopted Ringgit Malaysia as its presentation currency.

#### **Statement of cash flows**

The Fund adopts the direct method in the preparation of the statement of cash flows.

Cash equivalents are short-term, highly liquid investments that are readily convertible to cash with insignificant risk of changes in value.

#### **Distribution**

Distributions are at the discretion of the Fund. A distribution to the Fund's unitholders is accounted for as a deduction from realised reserves. A proposed distribution is recognised as a liability in the period in which it is approved.

#### **Unitholders' capital**

The unitholders' capital of the Fund meets the definition of puttable instruments and is classified as equity instruments under MFRS 132 Financial Instruments: Presentation ("MFRS 132").

## **Financial assets**

Financial assets are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Fund determines the classification of its financial assets at initial recognition, and the categories applicable to the Fund include financial assets at fair value through profit or loss (“FVTPL”) and loans and receivables.

### **(i) Financial assets at FVTPL**

Financial assets are classified as financial assets at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading by the Fund include equity securities acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Changes in the fair value of those financial instruments are recorded in ‘Net gain or loss on financial assets at fair value through profit or loss’. Dividend revenue and interest earned elements of such instruments are recorded separately in ‘Gross dividend income’ and ‘Interest income’ respectively.

For investments in quoted securities, market value is determined based on the closing price quoted on Bursa Malaysia Berhad. The difference between the cost and fair value is treated as unrealised gain or loss and is recognised in profit or loss. Unrealised gains or losses recognised in profit or loss are not distributable in nature.

On disposal of investments, the net realised gain or loss on disposal is measured as the difference between the net disposal proceeds and the carrying amount of the investments. The net realised gain or loss is recognised in profit or loss.

### **(ii) Loans and receivables**

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

## **Impairment of financial assets**

The Fund assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Loans and receivables carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Fund considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced through the use of an allowance account. When loans and receivables become uncollectible, they are written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

### **Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

The Fund's financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

### **Classification of realised and unrealised gains and losses**

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealised gains and losses for financial instruments which were realised (i.e. sold, redeemed or matured) during the reporting period.

Realised gains and losses on disposals of financial instruments classified at fair value through profit or loss are calculated using the weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount.

## Significant accounting estimates and judgments

The preparation of the Fund's financial statements requires the Manager to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in the future.

The Fund classifies its investments as financial assets at FVTPL as the Fund may sell its investments in the short-term for profit-taking or to meet unitholders' cancellation of units.

No major judgments have been made by the Manager in applying the Fund's accounting policies. There are no key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

## 4. INVESTMENTS

|                                      | <b>30-9-2018</b> | <b>31-12-2017</b> |
|--------------------------------------|------------------|-------------------|
|                                      | <b>RM</b>        | <b>RM</b>         |
| <b>Financial assets at FVTPL</b>     |                  |                   |
| Quoted equity securities in Malaysia | <u>3,121,374</u> | <u>3,095,109</u>  |

Details of investments as at 30 September 2018 are as follows:

| <b>Name of company</b>                      | <b>Number of<br/>shares</b> | <b>Market<br/>value<br/>RM</b> | <b>Purchase<br/>cost<br/>RM</b> | <b>Market<br/>value as a<br/>percentage of<br/>net asset<br/>value<br/>%</b> |
|---|-----------------------------|--------------------------------|---------------------------------|--|
| <b>Quoted equity securities in Malaysia</b> |                             |                                |                                 |  |
| <b>Consumer products</b>                    |                             |                                |                                 |  |
| Nestle (Malaysia) Berhad                    | 300                         | 43,920                         | 33,848                          | 1.39   |
| PPB Group Berhad                            | <u>3,820</u>                | <u>64,100</u>                  | <u>45,935</u>                   | <u>2.03</u>  |
|   | <u>4,120</u>                | <u>108,020</u>                 | <u>79,783</u>                   | <u>3.42</u>  |
| <b>Finance</b>                              |                             |                                |                                 |  |
| CIMB Group Holdings Berhad                  | 37,410                      | 224,834                        | 262,429                         | 7.12   |
| Hong Leong Bank Berhad                      | 3,812                       | 78,451                         | 37,955                          | 2.49   |
| Hong Leong Financial Group<br>Berhad        | 1,290                       | 24,897                         | 16,883                          | 0.79   |

(Forward)



| <b>Name of company</b>                      | <b>Number of shares</b> | <b>Market value RM</b> | <b>Purchase cost RM</b> | <b>Market value as a percentage of net asset value %</b> |
|---|-------------------------|------------------------|-------------------------|--|
| <b>Quoted equity securities in Malaysia</b> |                         |                        |                         |  |
| <b>Finance (Cont'd)</b>                     |                         |                        |                         |  |
| Malayan Banking Berhad                      | 33,131                  | 324,352                | 275,642                 | 10.28  |
| Public Bank Berhad                          | 17,530                  | 438,249                | 209,783                 | 13.88  |
| RHB Bank Berhad                             | 11,350                  | 35,160                 | 34,372                  | 1.11   |
|   | <u>104,523</u>          | <u>1,125,943</u>       | <u>837,064</u>          | <u>35.67</u>   |
| <b>Industrial products</b>                  |                         |                        |                         |  |
| Hartalega Holdings Berhad                   | 8,400                   | 55,608                 | 51,912                  | 1.76   |
| PETRONAS Chemicals Group Berhad             | 16,100                  | 150,696                | 94,403                  | 4.78   |
| PETRONAS Gas Berhad                         | 4,400                   | 83,160                 | 54,261                  | 2.63   |
| Press Metal Aluminium Holdings Berhad       | 10,500                  | 51,030                 | 54,996                  | 1.62   |
|   | <u>39,400</u>           | <u>340,494</u>         | <u>255,572</u>          | <u>10.79</u>   |
| <b>Infrastructure</b>                       |                         |                        |                         |  |
| DiGi.Com Berhad                             | 20,800                  | 100,256                | 51,981                  | 3.18   |
| <b>Plantations</b>                          |                         |                        |                         |  |
| IOI Corporation Berhad                      | 17,985                  | 81,652                 | 103,321                 | 2.58   |
| Kuala Lumpur Kepong Berhad                  | 2,600                   | 64,896                 | 48,154                  | 2.06   |
| Sime Darby Plantation Berhad                | 19,989                  | 105,942                | 106,209                 | 3.36   |
|   | <u>40,574</u>           | <u>252,490</u>         | <u>257,684</u>          | <u>8.00</u>  |
| <b>REIT</b>                                 |                         |                        |                         |  |
| KLCC Property Holdings Berhad               | 2,600                   | 19,760                 | 17,872                  | 0.62   |
| <b>Trading/Services</b>                     |                         |                        |                         |  |
| Axiata Group Berhad                         | 26,000                  | 118,560                | 114,699                 | 3.76   |
| Dialog Group Berhad                         | 26,000                  | 90,740                 | 85,800                  | 2.87   |
| Genting Berhad                              | 12,900                  | 100,749                | 120,442                 | 3.19   |
| Genting Malaysia Berhad                     | 15,900                  | 79,341                 | 56,244                  | 2.51   |
| Hap Seng Consolidated Berhad                | 3,800                   | 37,620                 | 31,746                  | 1.19   |
| IHH Healthcare Berhad                       | 15,800                  | 82,318                 | 54,874                  | 2.61   |
| Malaysia Airport Holdings Berhad            | 5,000                   | 44,500                 | 44,850                  | 1.41   |
| Maxis Berhad                                | 15,600                  | 91,104                 | 89,526                  | 2.89   |
| MISC Berhad                                 | 8,300                   | 50,298                 | 42,337                  | 1.59   |
| (Forward)                                   |                         |                        |                         |  |

| <b>Name of company</b>                      | <b>Number of shares</b> | <b>Market value RM</b> | <b>Purchase cost RM</b> | <b>Market value as a percentage of net asset value %</b> |
|---|-------------------------|------------------------|-------------------------|--|
| <b>Quoted equity securities in Malaysia</b> |                         |                        |                         |  |
| <b>Trading/Services (Cont'd)</b>            |                         |                        |                         |  |
| PETRONAS Dagangan Berhad                    | 1,700                   | 44,642                 | 26,221                  | 1.42   |
| Sime Darby Berhad                           | 19,989                  | 52,171                 | 35,176                  | 1.65   |
| Telekom Malaysia Berhad                     | 11,200                  | 36,064                 | 31,414                  | 1.14   |
| Tenaga Nasional Berhad                      | 22,400                  | 346,304                | 193,821                 | 10.97  |
|   | <u>184,589</u>          | <u>1,174,411</u>       | <u>927,150</u>          | <u>37.20</u>   |
| <b>Total financial assets at FVTPL</b>      | <u>396,606</u>          | <u>3,121,374</u>       | <u>2,427,106</u>        | <u>98.88</u>   |
| <b>Excess of market value over cost</b>     |                         | <u>694,268</u>         |                         |  |

#### 5. AMOUNT DUE TO MANAGER

|                                    | <b>30-9-2018<br/>RM</b> | <b>31-12-2017<br/>RM</b> |
|------------------------------------|-------------------------|--------------------------|
| Manager's fee payable              | (1,337)                 | (1,299)                  |
| Application fee payable to Manager | <u>(200)</u>            | <u>(200)</u>             |
|                                    | <u>(1,537)</u>          | <u>(1,499)</u>           |

Manager's fee is at a rate of 0.50% (2017: 0.50%) per annum on the net asset value of the Fund, calculated on a daily basis.

The normal credit period in the previous financial year and current financial period for Manager's fee payable is one month.

#### 6. AMOUNT DUE TO TRUSTEE

Trustee's fee is at a rate of 0.06% (2017: 0.06%) per annum on the net asset value of the Fund, calculated on a daily basis.

The normal credit period in the previous financial year and current financial period for Trustee's fee payable is one month.

## 7. AMOUNT DUE TO INDEX PROVIDER

Licence fee is at a rate of 0.04% (2017: 0.04%) per annum on the net asset value of the Fund, calculated on a daily basis.

## 8. NET GAIN/(LOSS) FROM INVESTMENTS

|   | 1-7-2018 to<br>30-9-2018<br>RM | 1-7-2017 to<br>30-9-2017<br>RM |
|---|--------------------------------|--------------------------------|
| Net gain/(loss) on financial assets at FVTPL comprised:               |                                |                                |
| – Net realised gain on sale of investments                            | 11,082                         | -                              |
| – Net unrealised gain/(loss) on changes in fair values of investments | <u>162,550</u>                 | <u>(13,894)</u>                |
|   | <u><u>173,632</u></u>          | <u><u>(13,894)</u></u>         |

## 9. OTHER EXPENSES

Included in other expenses is Goods and Services Tax incurred by the Fund during the financial period amounting to RM2 (2017: RM798).

## 10. TOTAL EQUITY

Total equity is represented by:

|                      | Note | 30-9-2018<br>RM         | 31-12-2017<br>RM        |
|----------------------|------|-------------------------|-------------------------|
| Unitholders' capital | (a)  | 2,218,683               | 2,218,683               |
| Retained earnings    |      |                         |                         |
| – Realised income    | (b)  | 243,719                 | 216,063                 |
| – Unrealised gain    | (c)  | <u>694,268</u>          | <u>688,677</u>          |
|                      |      | <u><u>3,156,670</u></u> | <u><u>3,123,423</u></u> |

### (a) UNITHOLDERS' CAPITAL/UNITS IN CIRCULATION

|   | 30-9-2018          |                  | 31-12-2017         |                  |
|---|--------------------|------------------|--------------------|------------------|
|   | Number of<br>units | RM               | Number of<br>units | RM               |
| At beginning/end of the financial period/year | <u>1,672,000</u>   | <u>2,218,683</u> | <u>1,672,000</u>   | <u>2,218,683</u> |

**(b) REALISED – DISTRIBUTABLE**

|   | <b>30-9-2018</b> | <b>31-12-2017</b> |
|---|------------------|-------------------|
|   | <b>RM</b>        | <b>RM</b>         |
| At beginning of the financial period/year   | 203,722          | 185,267           |
| Total comprehensive income for the financial period/year  | 202,547          | 342,428           |
| Net unrealised gain attributable to investments held transferred to unrealised reserve [Note 10(c)] | (162,550)        | (256,456)         |
| Distributions out of realised reserve   | -                | (55,176)          |
| Net increase in realised reserve for the financial period/year                                      | 39,997           | 30,796            |
| At end of the financial period/year   | 243,719          | 216,063           |

**(c) UNREALISED – NON-DISTRIBUTABLE**

|   | <b>30-9-2018</b> | <b>31-12-2017</b> |
|---|------------------|-------------------|
|   | <b>RM</b>        | <b>RM</b>         |
| At beginning of the financial period/year   | 531,718          | 432,221           |
| Net unrealised gain attributable to investments held transferred from realised reserve [Note 10(b)] | 162,550          | 256,456           |
| At end of the financial period/year   | 694,268          | 688,677           |

**11. UNITS HELD BY RELATED PARTIES**

|                           | <b>30-9-2018</b>       |           | <b>31-12-2017</b>      |           |
|---------------------------|------------------------|-----------|------------------------|-----------|
|                           | <b>Number of units</b> | <b>RM</b> | <b>Number of units</b> | <b>RM</b> |
| AmInvestment Bank Berhad* | 359,776                | 687,172   | 498,376                | 919,504   |

\* The related party is the legal and beneficial owners of the units. The Manager did not hold any units in the Fund as at 30 September 2018 and 31 December 2017.

## 12. INCOME TAX

|                          | <b>1-7-2018 to<br/>30-9-2018<br/>RM</b> | <b>1-7-2017 to<br/>30-9-2017<br/>RM</b> |
|--------------------------|---|---|
| Current financial period | <u>15</u>                               | <u>11</u>                               |

Income tax payable is calculated on investment income less deduction for permitted expenses as provided for under Section 63B of the Income Tax Act, 1967.

Pursuant to Schedule 6 of the Income Tax Act, 1967, local interest income derived by the Fund is exempted from tax.

A reconciliation of income tax expense applicable to net income before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Fund is as follows:

|  | <b>1-7-2018 to<br/>30-9-2018<br/>RM</b> | <b>1-7-2017 to<br/>30-9-2017<br/>RM</b> |
|--|---|---|
| Net income before tax  | <u>202,562</u>                          | <u>1,631</u>                            |
| Taxation at Malaysian statutory rate of 24% (2017: 24%)                    | 48,615                                  | 391                                     |
| Tax effects of:  |   |   |
| Income not subject to tax  | (47,794)                                | (5,902)                                 |
| Effect of different tax rate   | (3,054)                                 | (15)                                    |
| Loss not deductible for tax purposes                                       | -                                       | 3,335                                   |
| Restriction on tax deductible expenses for exchange traded fund            | 1,431                                   | 1,211                                   |
| Non-permitted expenses for tax purposes                                    | 658                                     | 856                                     |
| Permitted expenses not used and not available for future financial periods | <u>159</u>                              | <u>135</u>                              |
| Tax expense for the financial period                                       | <u>15</u>                               | <u>11</u>                               |

## 13. DISTRIBUTIONS

No distribution was declared by the Fund for the financial periods ended 30 September 2018 and 30 September 2017.

#### 14. MANAGEMENT EXPENSE RATIO (“MER”)

The Fund’s MER is as follows:

|                       | <b>1-7-2018 to<br/>30-9-2018<br/>% p.a.</b> | <b>1-7-2017 to<br/>30-9-2017<br/>% p.a.</b> |
|-----------------------|---|---|
| Manager’s fee         | 0.50  | 0.50  |
| Trustee’s fee         | 0.06  | 0.06  |
| Licence fee           | 0.04  | 0.04  |
| Fund’s other expenses | 0.47  | 0.59  |
| Total MER             | <u>1.07</u>                                 | <u>1.19</u>                                 |

The MER of the Fund is the ratio of the sum of annualised fees and expenses incurred by the Fund to the average net asset value of the Fund calculated on a daily basis.

#### 15. PORTFOLIO TURNOVER RATIO (“PTR”)

The PTR of the Fund, which is the ratio of average total acquisitions and disposals of investments to the average net asset value of the Fund calculated on a daily basis, is 0.02 (2017: nil).

#### 16. SEGMENTAL REPORTING

In accordance with the objective of the Fund, substantially all of the Fund’s investments are made in the form of quoted equity securities in Malaysia. The Manager is of the opinion that the risk and rewards from these investments are not individually or segmentally distinct and hence the Fund does not have a separately identifiable business or geographical segments.

#### 17. TRANSACTIONS WITH FINANCIAL INSTITUTION

Details of transactions with financial institution for the financial period ended 30 September 2018 are as follows:

| <b>Financial institutions</b> | <b>Transaction value</b> |               | <b>Brokerage fee, stamp<br/>duty and clearing fee</b> |               |
|-------------------------------|--------------------------|---------------|---|---------------|
|                               | <b>RM</b>                | <b>%</b>      | <b>RM</b>   | <b>%</b>      |
| AmInvestment Bank Berhad*     | <u>117,425</u>           | <u>100.00</u> | <u>1,090</u>  | <u>100.00</u> |

\* A financial institution related to the Manager. The Manager and the Trustee are of the opinion that the above transactions have been entered in the normal course of business and have been established under terms that are no less favourable than those arranged with independent third parties.

The above transactions were in respect of listed securities.

## 18. FINANCIAL INSTRUMENTS

### (a) Classification of financial instruments

The significant accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities of the Fund in the statement of financial position by the class of financial instrument to which they are assigned, and therefore by the measurement basis.

|                                      | <b>Financial<br/>assets<br/>at FVTPL<br/>RM</b> | <b>Loans and<br/>receivables<br/>at amortised<br/>cost<br/>RM</b> | <b>Financial<br/>liabilities at<br/>amortised<br/>cost<br/>RM</b> | <b>Total<br/>RM</b> |
|--------------------------------------|---|---|---|---------------------|
| <b>30 September 2018</b>             |   |   |   |                     |
| <b>Assets</b>                        |   |   |   |                     |
| Investments                          | 3,121,374                                       | -   | -   | 3,121,374           |
| Dividends receivable                 | -   | 24,659  | -   | 24,659              |
| Cash at banks                        | -   | 22,845  | -   | 22,845              |
|                                      | <hr/>   | <hr/>   | <hr/>   | <hr/>               |
| Total financial assets               | 3,121,374                                       | 47,504  | -   | 3,168,878           |
| <b>Liabilities</b>                   |   |   |   |                     |
| Amount due to Manager                | -   | -   | 1,537   | 1,537               |
| Amount due to Trustee                | -   | -   | 150   | 150                 |
| Amount due to index provider         | -   | -   | 1,305   | 1,305               |
| Sundry payables and accrued expenses | -   | -   | 9,216   | 9,216               |
|                                      | <hr/>   | <hr/>   | <hr/>   | <hr/>               |
| Total financial liabilities          | -   | -   | 12,208  | 12,208              |
| <b>31 December 2017</b>              |   |   |   |                     |
| <b>Assets</b>                        |   |   |   |                     |
| Investments                          | 3,095,109                                       | -   | -   | 3,095,109           |
| Dividends receivable                 | -   | 351   | -   | 351                 |
| Cash at banks                        | -   | 89,734  | -   | 89,734              |
|                                      | <hr/>   | <hr/>   | <hr/>   | <hr/>               |
| Total financial assets               | 3,095,109                                       | 90,085  | -   | 3,185,194           |
| <b>Liabilities</b>                   |   |   |   |                     |
| Amount due to Manager                | -   | -   | 1,499   | 1,499               |
| Amount due to Trustee                | -   | -   | 146   | 146                 |
| Amount due to index provider         | -   | -   | 311   | 311                 |
| Distribution payable                 | -   | -   | 46,816  | 46,816              |
| Sundry payables and accrued expenses | -   | -   | 12,999  | 12,999              |
|                                      | <hr/>   | <hr/>   | <hr/>   | <hr/>               |
| Total financial liabilities          | -   | -   | 61,771  | 61,771              |

|  | <b>Income, expense, gains<br/>and losses</b> |                                  |
|--|--|----------------------------------|
|  | <b>1-7-2018 to<br/>30-9-2018</b>             | <b>1-7-2017 to<br/>30-9-2017</b> |
|  | <b>RM</b>                                    | <b>RM</b>                        |
| Net income/(loss) from financial assets at FVTPL       | 173,632                                      | (13,894)                         |
| Income, of which derived from:                         |  |                                  |
| – Gross dividend income from financial assets at FVTPL | <u>38,294</u>                                | <u>24,702</u>                    |

**(b) Financial instruments that are carried at fair value**

The Fund's financial assets and liabilities are carried at fair value.

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair values are observable; either directly or indirectly; or
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by the level of the fair value hierarchy:

|                           | <b>Level 1<br/>RM</b> | <b>Level 2<br/>RM</b> | <b>Level 3<br/>RM</b> | <b>Total<br/>RM</b> |
|---------------------------|-----------------------|-----------------------|-----------------------|---------------------|
| <b>30 June 2018</b>       |                       |                       |                       |                     |
| Financial assets at FVTPL | <u>3,121,374</u>      | <u>-</u>              | <u>-</u>              | <u>3,121,374</u>    |
| <b>31 December 2017</b>   |                       |                       |                       |                     |
| Financial assets at FVTPL | <u>3,095,109</u>      | <u>-</u>              | <u>-</u>              | <u>3,095,109</u>    |

**(c) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value**

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value due to their short period to maturity or short credit period:

- Dividends receivable
- Cash at banks
- Amount due to Manager
- Amount due to Trustee

(Forward)



- Amount due to index provider
- Sundry payables and accrued expenses

There are no financial instruments which are not carried at fair values and whose carrying amounts are not reasonable approximation of their respective fair values.

## 19. RISK MANAGEMENT POLICIES

The Fund is exposed to a variety of risks that include market risk, credit risk, liquidity risk, single issuer risk, regulatory risk, management risk and non-compliance risk.

Risk management is carried out by closely monitoring, measuring and mitigating the above said risks, careful selection of investments coupled with stringent compliance to investment restrictions as stipulated by the Capital Market and Services Act 2007, Securities Commission's Guidelines on Exchange Traded Funds and the Deed as the backbone of risk management of the Fund.

### Market risk

Market risk, in general, is the risk that the value of a portfolio would decrease due to changes in market risk factors such as equity prices, foreign exchange rates, interest rates and commodity prices.

#### (i) Price risk

Price risk refers to the uncertainty of an investment's future prices. In the event of adverse price movements, the Fund might endure potential loss on its quoted investments. In managing price risk, the Manager actively monitors the performance and risk profile of the investment portfolio.

The result below summarised the price risk sensitivity of the Fund's NAV due to the movements of price by -5.00% and +5.00% respectively.

| Percentage movements<br>in price by: | Sensitivity of the Fund's NAV |                |
|--------------------------------------|-------------------------------|----------------|
|                                      | 2018<br>RM                    | 2017<br>RM     |
| -5.00%                               | (156,069)                     | (154,755)      |
| +5.00%                               | <u>156,069</u>                | <u>154,755</u> |

### Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge an obligation. Credit risk applies to short-term deposits, bonds, debentures and dividends receivable. The issuer of such instruments may not be able to fulfil the required interest payments or repay the principal invested. These risks may cause the Fund's investments to fluctuate in value.

Cash at banks are held for liquidity purposes and are not exposed to significant credit risk.

**Liquidity risk**

Liquidity risk is defined as the risk of being unable to raise funds or borrowings to meet payment obligations as they fall due. This is also the risk of the Fund experiencing large redemptions, when the Investment Manager could be forced to sell large volumes of its holdings at unfavorable prices to meet redemption requirements.

The Fund maintains sufficient level of liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellations of units by unitholders. Liquid assets comprise of deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 5 to 7 days. The Fund's policy is to always maintain a prudent level of liquid assets so as to reduce liquidity risk.

**Single issuer risk**

Internal policy restricts the Fund from investing in securities issued by any issuer of not more than a certain percentage of its net asset value. Under such restriction, the risk exposure to the securities of any single issuer is diversified and managed based on internal/external ratings.

**Regulatory risk**

Any changes in national policies and regulations may have effects on the capital market and the net asset value of the Fund.

**Management risk**

Poor management of the Fund may cause considerable losses to the Fund that in turn may affect the net asset value of the Fund.

**Non-compliance risk**

This is the risk of the Manager, the Trustee or the Fund not complying with internal policies, the Deed of the Fund, securities law or guidelines issued by the regulators. Non-compliance risk may adversely affect the investments of the Fund when the Fund is forced to rectify the non-compliance.

**20. CAPITAL MANAGEMENT**

The primary objective of the Fund's capital management is to ensure that it maximises unitholders' value by expanding its fund size to benefit from economies of scale and achieving growth in net asset value from the performance of its investments.

The Fund manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Fund may issue new or bonus units, make distribution payment, or return capital to unitholders by way of redemption of units.

No changes were made in the objective, policies or processes during the financial periods ended 30 September 2018 and 30 September 2017.

## **DIRECTORY**

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*For enquiries about this or any of the other Funds offered by AmFunds Management Berhad  
Please call 2032 2888 between 8.45 a.m. to 5.45 p.m. (Monday to Thursday),  
Friday (8.45 a.m. to 5.00 p.m.)*